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Investing in our Future



Enhancing Alberta's Environment

Annual Report 2002-2003




Tire Recycling
Management
Association
of Alberta



environment

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Letter to the Minister

Honourable Lorne Taylor
Minister of Environment
Government of Alberta
423 Legislature Building
Edmonton, AB T5K 2B6

Dear Mr. Minister:

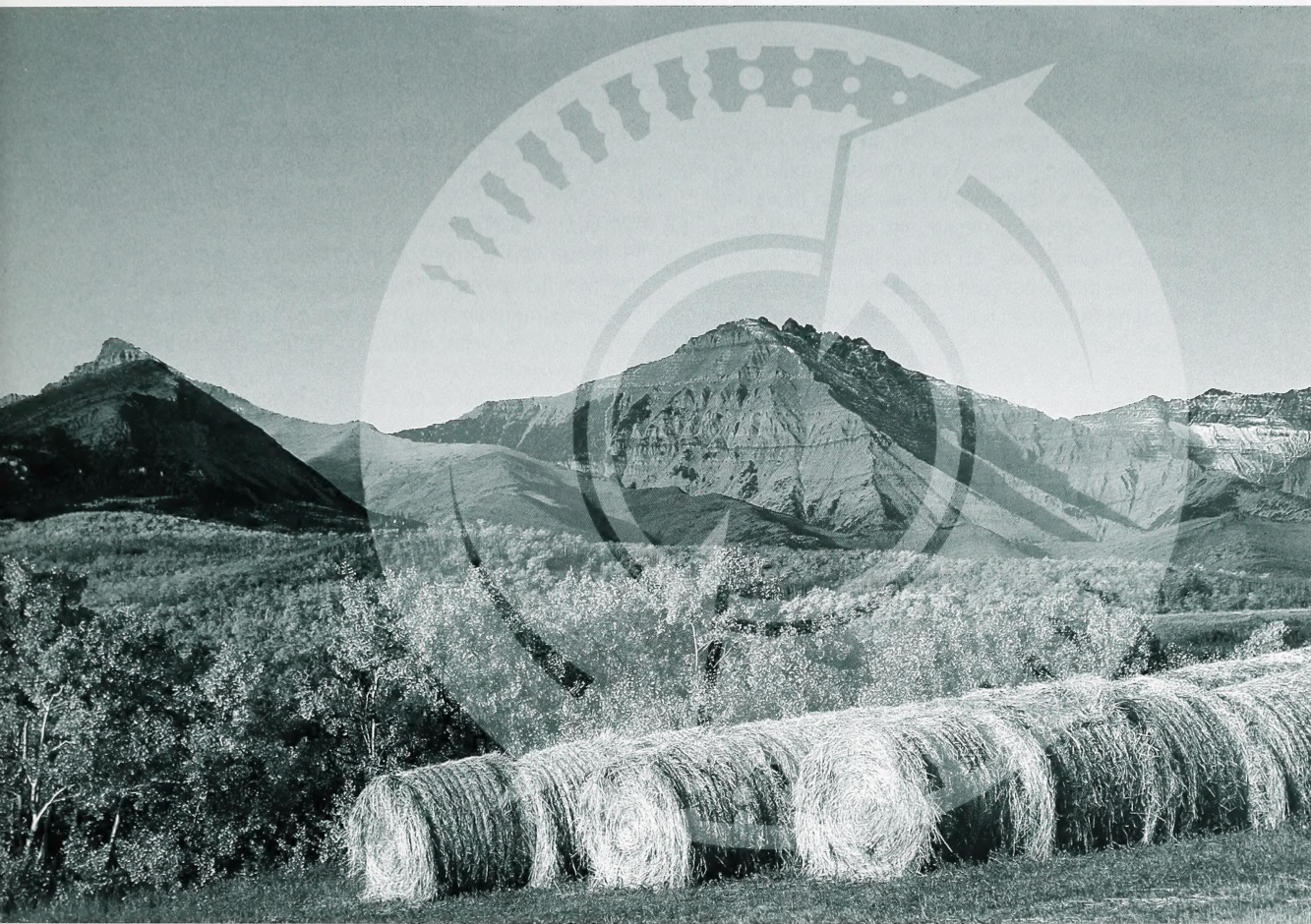
On behalf of the Board of Directors of the Tire Recycling Management Association of Alberta, I am pleased to present our Annual Report for the fiscal year April 1, 2002 to March 31, 2003. This is in accordance with Section 4 of the Tire Recycling and Management Regulation (Alta. Reg. 206/96).

Yours truly,

Tire Recycling Management Association of Alberta

A handwritten signature in dark ink, appearing to read "S.A. Hinton". The signature is stylized with a large, looped initial "S".

Sid Hinton
Chairman



Chairman's Report

I am pleased to report on the success of Alberta's tire recycling program and the progress of the Tire Recycling Management Association of Alberta (TRMA). A powerful illustration of this success is the achievement of over 25 million tires recycled in the province this fiscal year – and the anticipation of reaching 30 million tires recycled within the 2003/04 fiscal year.


The true value of the investment made by Albertans in tire recycling is measured by the contribution in protecting and enhancing Alberta's natural environment. The efforts made to divert scrap tires from landfill and turn them into valuable new products translates into huge rewards for our environment and the healthy future of this province. In addition to eliminating potential fire, disease and environmental threats, keeping 25 million tires out of landfills translates into estimated savings for taxpayers of well over \$150 million in life-cycle landfill costs.

Just ten years ago, when the Tire Recycling Management Board was established, this accomplishment seemed almost inconceivable. Alberta's landfills were heaped with scrap tires and the concept of recycling this difficult waste material was new. Thanks to the inspired environmental leadership of the Government of Alberta, the 'made-in-Alberta' stewardship model put in place has seen the emergence of an industry which is now able to deal with virtually all the three million tires Albertans discard each year.

Each year, further strides are taken in tire recycling and the quest to find new and innovative uses for scrap tires. To this end, during 2002/03, a major multi-year Public Benefit Plan was developed and approved by the Board of Directors, and confirmed with the Minister. This provides an aggressive funding investment strategy to enhance the sustainability of the tire recycling solution and the benefits that flow to Albertans.

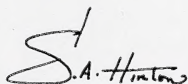
Albertans have asked us to give them more information on how Alberta's tire recycling program is working. In response, we initiated a series of 24 regional presentations with key stakeholders across the province to provide information and answer questions. Our board members and staff also connected one-on-one with many others through our Centennial Project openings, speakers bureau, trade show displays and other presentations.

As our tire recycling program continues to advance, Alberta has become recognized in Canada and abroad as a leader in environmental stewardship. This coming year, I have been given the honour of becoming chairman of the Canadian Association of Tire Recycling Agencies, consisting of all provincial tire recycling programs. Together, we will look for ways to enhance the effectiveness of scrap tire recycling across the nation through the sharing of information and cooperative research projects.



The Tire Recycling Management Association of Alberta will continue to work as a steward for the environment, to build upon our strengths and learn from our past, ready for the challenges that lie ahead on the road to sustainable environmental management for future generations.

On behalf of the TRMA Board of Directors and administration, I am pleased to present our 2002/2003 Annual report.



Sid Hinton
Chairman

Member Organizations & Board of Directors

The membership of the TRMA consists of ten organizations that have a direct interest in Alberta's scrap tire challenge. Every three years, each member organization appoints a representative to the Board of Directors. In addition, the Minister of Environment appoints a Director representing the public-at-large. The following are the members of the Tire Recycling Management Association of Alberta and their Directors for 2002/2003:



back row: Ken Albrecht, Dwight Brown, Bruce MacKenzie, Al Schulz, John Trefanenko, Myles Kitagawa,
front row: Bart Guyon, Sid Hinton, Dennis Irving, Merv Domanko.
missing: Patrick Kane



Member Organization

Alberta Association of Municipal Districts & Counties

Alberta Environment

Alberta Motor Transport Association

Alberta Urban Municipalities Association

Association of Professional Engineers, Geologists
and Geophysicists of Alberta

Environmental Services Association of Alberta

Motor Dealers Association of Alberta

Recycling Council of Alberta

Toxics Watch Society of Alberta

Western Canada Tire Dealers

Public at Large

Director

Bart Guyon

Patrick Kane
(Jillian Flett, to October 2002)

Ken Albrecht

John Trefanenko

Al Schulz, Secretary/Treasurer

Merv Domanko

Dwight Brown
(Michael Atkin, to November 2002)
(Jim Kallal, to May 2002)

Bruce MacKenzie
(Holly Brockmeyer, to October 2002)

Myles Kitagawa

Dennis Irving
(John Cosco, to September 2002)

Sid Hinton, Chairman

Committees of the Board

Executive Committee

Assessment Committee

Audit Committee

Communication Committee

Financial Analysis Committee

Government Relations Committee

Sustainability Committee

In addition, the Asphalt Steering Committee, representing all participants in the Asphalt Rubber Project, reported to the Board through its Chair, Al Schulz.

Legislative Mandate and Accountability

The Tire Recycling Management Association of Alberta (TRMA) is a not-for-profit association that operates as a Delegated Administrative Organization (DAO) under the auspices of the Alberta Minister of Environment. DAOs allow industry and stakeholders to participate in environmental stewardship initiatives that protect the quality of air, land and water for the benefit and enjoyment of all Albertans.

The responsibilities assigned to the TRMA are directly linked to the mission, core businesses, goals and strategies of Alberta Environment's Business Plan, as outlined below. In this way, the TRMA forms part of the Ministry's contribution to the Government of Alberta's Business Plan and to the Government's core businesses of People, Prosperity and Preservation.

Mission

The recycling of tires falls directly within the Ministry's mission to steward the use of and ensure the protection of our diverse environment to sustain natural ecosystems, healthy Albertans, strong communities and a prosperous economy.

Core Businesses

One of the Ministry's core businesses is the management of environmental hazards. The stockpiling of scrap tires has been an environmental hazard, which the TRMA has helped to virtually eliminate. In addition, the Ministry has a core business of environmental stewardship. The TRMA plays a critical role in managing and delivering a key public program in this area.

Goals

The TRMA's mandate and goals align with Goals #1 and #3 in the Ministry's Business Plan of "Environmental Leadership" and "practicing environmental protection as a collaborative effort through partnerships".

Performance Measures

With respect to its core businesses and goals, the Ministry has a performance measure to reduce

municipal solid waste disposal to landfill to 0.5 tonnes per capita by 2010. The TRMA has contributed to the achievement of this performance measure by exceeding the target for reducing the volume of scrap tires going into Alberta's landfills.

The TRMA is directly accountable to the Minister of Environment, as specified below, and reports annually on the fulfillment of its legislated mandate through the Three-year Business Plan, the Fund Plan, the Annual Budget and the Annual Report.

The Environmental Protection and Enhancement Act (Part 9 - Waste Minimization, Recycling and Waste Management) provides the authority to make scrap tires a 'designated material', to collect the \$4.00 Advance Disposal Surcharge (Surcharge) on the sale of new tires, and to establish an industry-based fund to be administered by a body to manage the scrap tire issue.

The Tire Recycling and Management Regulation (206/96) authorizes the Tire Recycling Management Association to levy the \$4.00 Advance Disposal Surcharge, which is to be used to provide or pay for any or all of the following:

- a scrap tire waste minimization and recycling program;
- education programs for the purpose of the scrap tire minimization and recycling programs;
- expenditures on the collection, transportation, storage, processing and disposal of scrap tires;
- research and development activities related to scrap tire management; and
- promotion of the uses of recycled scrap tire materials and products.

In addition to its legislative mandate, the TRMA must meet its obligations under the Societies Act.

- The TRMA was incorporated in October 1996 under the Societies Act to replace the Tire Recycling Management Board, which had been established by the Government of Alberta in July 1992.
- The TRMA reports to its membership at the Annual General Meeting and through the Director appointed by each member.



Mission

Core Business

Goals

Performance Measures

Executive Director's Report

As the Tire Recycling Management Association of Alberta enters its second decade of operation, our focus is to continue to invest, on behalf of Albertans, in the development of our province's tire recycling program as a way of enhancing Alberta's environment.

Over a decade of progress in this environmental stewardship initiative has brought Alberta to the significant point where there is an industry solution for the three million scrap tires Albertans discard annually. Our vision is to strengthen the sustainability of Alberta's tire recycling industry.

To continue the development of a more effective and sustainable tire recycling solution, the TRMA has implemented the Public Benefit Plan - a special multiyear investment plan using funds drawn from the Tire Recycling Management Fund. The Plan will augment annual operations by seeking improvements in the following areas:

- improvements in current scrap tire collection and processing methods, and in the funding mechanisms for these activities;
- investigation and development of new uses, products and markets for recycled tire materials;
- research and development of new tire recycling technologies;

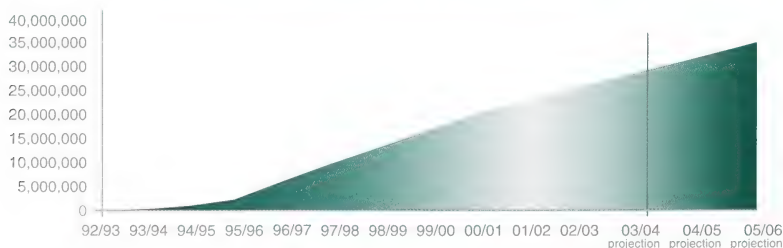
- more effective accountability and provision of information to Albertans; and
- improvements in operational and administration functions.

The graph below is a snapshot of the cumulative number of scrap tires processed in Alberta since the tire recycling initiative was introduced in 1992. With no industry or markets in existence at the outset, it wasn't until 1994 that significant numbers of scrap tires were processed (tires used as fuel in cement kilns discontinued in August 1995). The first milestone of 1 million tires processed occurred in 1995, 10 million processed in 1998, 20 million during the 2001, 25 million in fiscal 2002/03, and 30 million expected by the end of fiscal 2003/04.

Innovation – the path to a sustainable recycling solution

- In the summer of 2002, the TRMA, in cooperation with Alberta Transportation, began pilot tests using recycled rubber tire crumb as a performance additive in asphalt pavement. 'Rubber asphalt' has

**Total number of scrap tires processed in Alberta
(Cumulative Passenger Tire Equivalents – PTEs*)**



*PTEs: Because tires vary in size and weight, the TRMA measures the amount of tires or tire material using a standardized unit based on weight, the Passenger Tire Equivalent or PTE, to represent an "average" car tire. One PTE equals 10 kgs. (22 lbs.) of tire material. For example, there are 100 PTEs in one tonne of tires.

proven to be an excellent alternative to repair asphalt pavement in sites around the world, creating longer lasting and more durable roadways. Research shows that rubber asphalt has a longer life span than traditional asphalt, provides a significant reduction in noise pollution, can provide better traction, and with less cracking and rutting, costs less to maintain.

Roadways at pilot sites in Edmonton, Calgary, Strathcona County and a Provincial highway were paved with rubber asphalt and will be monitored by the University of Alberta. If successful, rubber asphalt could find a permanent home in Alberta, providing better highways while providing another value-added market for tire recyclers.

- Our recycled product manufacturers continue to make innovations in their product, such as new designed mats, sidewalk blocks and paving stones, and large temporary muskeg road mats. "Pour-in-place" playground surfaces offer another value-added safety alternative.
- A company based in Calgary has developed another new and innovative use for scrap tire material. Tire crumb is being molded into a new high quality, roofing shingle which has proven to be effective in overcoming problems associated with other roofing systems, including curling, rotting, splitting, cracking, weather damage and excessive weight.
- Some challenges, however, are more stubborn than others. Comprehensive solutions to recycle large industrial "off-road" tires (for example, tires used in agriculture, construction, mining and forestry) are yet to be realized, in spite of efforts

over the past two years. The TRMA has enhanced its commitment to meeting this challenge, and will partner with industry to achieve the necessary results.

Partnership - the path to a sustainable recycling solution

- In 2002, our Municipal Millennium Demonstration Projects program, which was originally launched in 2000, was extended due to its overwhelming success. The project has been renamed the Centennial Municipal Demonstration Projects program with a new goal to ensure 100 tire recycling projects are in place in partnerships with municipalities by Alberta's centennial in 2005.

Municipalities and their citizens invest considerable resources to support tire recycling as a way to protect our environment. These projects bring these products "full-circle" back to the community to showcase the value of using recycled scrap tire products and provide an opportunity to demonstrate their use in the improvement of facilities such as playgrounds, parks, buildings, walkways and arenas.

- Another key project was a partnership with Regional Waste Authorities to introduce a Tire Marshalling Area for the temporary collection of scrap tires in landfills. This will improve the way tires are disposed of, collected and transported, regardless of the size and location of communities. In this way, scrap tires can be better incorporated into the "one-stop eco-centre" concept that has become so successful in enhancing the collection of recyclable waste throughout Alberta.



Innovation

Partnership

Effectiveness

Effectiveness – the path to a sustainable recycling solution

- Albertans told us that, while they supported the concept of a tire recycling program, we needed to do a better job of being accountable to them by providing more information. The TRMA responded by providing information through Regional Presentations, Municipal Demonstration Projects, our Speakers Bureau, member publications, participation in trade shows and conferences, media coverage, and awareness initiatives through tire and vehicle retailers.
- The TRMA has also undertaken a major enhancement of the use of information technology to improve the effectiveness of operations and procedures, and to reduce the administrative requirement on tire and vehicle retailers as well as the tire collection and recycling industry.

This year, we initiated significant innovative solutions and cooperative projects to enhance the effectiveness, sustainability and value of Alberta's tire recycling program. This work and commitment will continue in the coming fiscal year and beyond.



Doug Wright
Executive Director

Business Plan

The TRMA uses a three-year rolling Business Plan to enable it to fulfill its legislative mandate to collect the Advance Disposal Surcharge (Surcharge) and use the revenues to manage the scrap tire issue and enhance tire recycling in Alberta. The current Business Plan is based on three goals, with specific performance measures and annual targets relating to tire recycling volumes, accountability and effective management.

Vision

A self-sufficient tire recycling industry that is the model of environmental excellence.

Mission

To manage scrap tire recycling in the best interests of Albertans.

Operating Principles

Accountability

To be fully responsible to the Government of Alberta, TRMA member organizations and Albertans.

Resource Stewardship

To develop environmentally and economically sound solutions for Alberta.

Transparency

To be open in communicating TRMA policies, strategies and results.

Cooperation

To build proactive partnerships to enhance solutions for Alberta's scrap tires.

Effectiveness

To ensure that TRMA policies, programs and operations are efficient and effective.

Core Businesses

Management of Scrap Tires

Develop efficient, effective, economic and environmentally sound solutions to deal with Alberta's scrap tires.

Scrap Tire Recycling Program

Provide sufficient funding to the scrap tire processing and recycling industry, for scrap tire material successfully processed and used in an environmentally acceptable manner.

Administer the Surcharge

Effectively collect and manage Surcharge revenues in fulfillment of the TRMA's mandate, and manage the Tire Recycling and Management Fund to ensure that current and future liabilities can be addressed.

Business Drivers

A number of factors shape the TRMA's business plan:

Market Forces

The achievement of the TRMA Goals and Performance Measures are directly dependent upon the ability of recycling businesses to survive and grow. Consumer and market response to recycled products and uses is also critical. All of these ultimately affect the cost and volumes of tire recycling.

Fiscal Management

The TRMA must develop solutions that are within the scope of revenues generated from the Advance Disposal Surcharge, including the recycling funding programs, research and development, operations and funding responsibility for all scrap tires on which the Surcharge is remitted.

Control of Scrap Tires

The TRMA does not have regulatory authority or other direct control over scrap tires, which lies with the owner of the tires.

Processing Limitations

Tire recycling is a relatively new industry and there are limits to what the available equipment can process in terms of types of tires and types of products.

Technological Limitations

Because of the limits to current processing technology, the TRMA needs to support research into the development of different potential new technologies that emerge.

Stakeholder Participation

To achieve effective solutions, the TRMA works cooperatively with stakeholders including registrants, local governments, regional waste management authorities, fire and health authorities, and landfill operators. At the same time, the TRMA works with tire recycling companies to ensure the development of the tire recycling industry, as well as supporting research and development on new recycling technologies and uses.

Goals

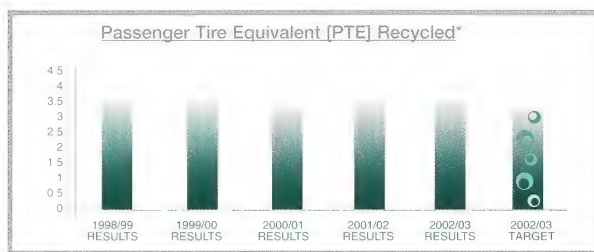
1. To develop the most effective, efficient and environmentally sound recycling solutions for all scrap tires discarded by Albertans.
2. To encourage the development of a self-sufficient tire recycling solution in Alberta.
3. To ensure full accountability for the Tire Recycling Management Association of Alberta.

Goals and Performance Measures

GOAL 1:

To develop the most effective, efficient and environmentally sound recycling solutions for all scrap tires discarded by Albertans.

Performance Measure 1.1: The total number of eligible scrap tires that are processed annually under TRMA programs.



1998/99 Results	3.38 million PTEs
1999/00 Results	3.36 million PTEs
2000/01 Results	3.22 million PTEs
2001/02 Results	3.30 million PTEs
2002/03 Results	3.31 million PTEs
(2002/03 target)	3.17 million PTEs

Results:

- For 2002/03, the total number of tires recycled was 3.31 million PTE**. Annual volumes have remained consistent for the past five years, reflecting a stable “recovery rate” of 80% to 85% (the portion of new tires sold that are actually collected and recycled).
- Generally, the combined demand for the various recycled tire materials produced annually is strong and allows the industry to process all available tires. There were several interruptions in processing capacity due to the restructuring or closure of several tire recycling companies in 2002/03, but overall volumes were sustained.
- The three-year Business Plan contemplates that total processing volumes will increase gradually as new tire sales and “off-road” tire recycling grows.

Comment:

- The number of tires recycled is an indicator that all available scrap tires are recovered and recycled.

* Corrected figures for ‘total number of tires processed’ are presented for 2000/01 and 2001/02. Totals previously presented were understated due to an error in a data conversion formula. (Totals previously presented: 2000/01 - 2.83 million PTE, 2001/02 - 2.86 million PTE)

** PTEs: Because tires vary in size and weight, the TRMA measures the amount of tires or tire material using a standardized unit based on weight, the Passenger Tire Equivalent or PTE, to represent an “average” car tire. One PTE equals 10 kgs. (22 lbs.) of tire material. For example, there are 100 PTEs in one tonne of tires.

Performance Measure 1.2: The proportion of the total number of scrap tires that are processed annually into Manufactured Product, Rubber Crumb and Civil Engineering applications.

Value-added Recycling*			
	Manufactured Product	Rubber Crumb	Civil Engineering
1998/99 Results	14%	25%	61%
1999/00 Results	22%	39%	39%
2000/01 Results	11%	43%	46%
2001/02 Results	19%	35%	46%
2002/03 Results	20%	34%	46%
(2002/03 target)	23%	44%	33%

Results:

• Manufactured Product

With 20% of total volumes going to manufactured product, the industry continues to stabilize. The main companies are strengthening and several new niche manufacturers are growing. There is very good potential for steady growth in the coming year and beyond.

• Rubber Crumb

Rubber crumb volumes were sustained by the two main

crumbers in spite of disruptions in the industry (closure of a third processor, interruption in output of another due to a major plant relocation and expansion). The outlook for crumb production is strong and markets should support steady growth.

• Civil Engineering (CE) Shred

The volume of shred used in civil engineering applications was stable. The potential demand for CE shred appears to be strong. However as crumb processing grows, CE shred volumes will decline because there is a limited amount of recycled material to draw on annually (unless there is a substantial increase in material available from processing off-road tires).

Comment:

• Encouraging “value-added processing” of scrap tires in Alberta is a key funding strategy of the TRMA to achieve the following results:

- The development of a stronger, more diverse industry that can become sustainable, producing more valuable jobs for Albertans.
- Increase the benefit of tire recycling to Albertans by increasing the value and range of recycled rubber products and uses.

* Definition of Headings:

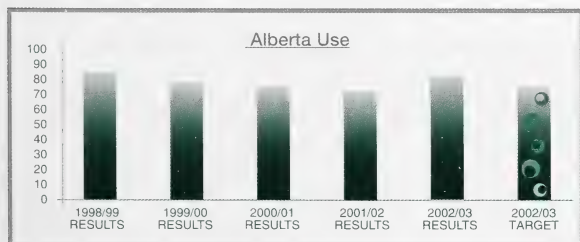
Manufactured Product – Products made from rubber crumb, such as molded bricks, dairy mattresses and coatings.

Rubber Crumb – Particles of rubber ground from shredded scrap tires - from pea-gravel size down to the consistency of flour – with the steel and fibre components removed. Uses for rubber crumb include feedstock to manufacturers and crumb applications such as playground surfaces (i.e. sand replacement).

Civil Engineering – The use of tire “shred” as value-added material in civil engineering projects because of its superior characteristics (i.e. drainage, insulation, lightweight).

Tire “shred” – pieces of mechanically cut-up tires, usually 1" or 2" chunks.

Performance Measure 1.3: The proportion of the total number of scrap tires processed annually under TRMA Programs that go into Alberta end uses and/or Alberta-made products.



1998/99 Results	86%
1999/00 Results	78%
2000/01 Results	75%
2001/02 Results	72%
2002/03 Results	83%
(2002/03 target)	75%

Results:

- For fiscal 2003, 83% of total volumes went to Alberta end-uses and Alberta-made products, which is well above the target of 75%. The Alberta demand for value-added recycled tire materials is growing gradually, in part due to TRMA initiatives like the Centennial Municipal Demonstration Projects and increased marketing efforts by our value-added recycling companies. Also, there was a temporary interruption in crumb exports.

Comment:

- Because tire recycling is supported by 'public' funding, the TRMA wants to ensure the greatest benefit of that funding stays in Alberta, without compromising the industry's ability to pursue value-added markets within or outside the province.

GOAL 2:

Encourage the development of a self-sufficient tire recycling solution in Alberta.

Performance Measure 2.1: Policies, strategies and programs that enhance self-sufficiency of the tire recycling industry.

Results:

- Through two committees of the Board, the TRMA developed:
 - a clear and realistic definition of "sustainability" for the short term and the longer term, that is acceptable and achievable in the context of the TRMA's mandate, funding strategies and the market realities of scrap tire recycling, and to review the TRMA Vision and Mission Statement relative to sustainability;
 - and an in-depth financial analysis of scrap tire recycling - including TRMA funding strategies, recycling volumes, value-added processing, market demand and industry profitability - and develop projections and scenarios that can be used by the TRMA to move responsibly and realistically towards sustainability in the short and longer term, consistent with the TRMA's Vision.
- Based on the above, the TRMA has developed and approved a new Vision Statement, which will be implemented in 2003/04 to more effectively and comprehensively address a sustainable tire recycling solution, incorporating economic, environmental and social sustainability.
- The TRMA will set appropriate and effective Goals and Performance Measures to address its new Vision, in support of its legislated mandate.
- The TRMA has developed a Public Benefit Plan that includes initiatives working towards the goal of a sustainable tire recycling solution.

Comment:

- Ultimately, as the profits of a value-added tire recycling industry increase the industry will become self-sustaining leading to lower funding requirements.

Performance Measure 2.2: Annual expenditures on the processing of scrap tires plus TRMA operational costs do not exceed the annual Surcharge revenues collected. (Non-surcharge revenues such as investment earnings and expenditures on non-processing or operations such as research and development are excluded because they do not arise directly out of the funding of scrap tire processing.)

	Total annual Surcharge revenues	Total annual expenditures [operating and processing]
2001/02 Annual	\$13,036,476	\$10,897,140
2002/03 Annual	\$12,986,158	\$10,313,259

Results:

- Total operating and processing expenditures were less than Surcharge revenues, as required. (This Performance Measure has been changed for 2003/04.)

Comment:

- To ensure that Alberta's tire recycling solution is sustainable, annual core recycling expenditures must not exceed annual Surcharge revenues.

GOAL 3:

Ensure full accountability for the Tire Recycling Management Association of Alberta.

Performance Measure 3.1: Report against the TRMA's comprehensive accountability framework and act on any incomplete requirements.

- Assessment Operations Policy
- Audit Committee Policy
- Board Governance Policy
- Communications Operations Policy
- Conflict of Interest Policy
- Corporate Operations Policy
- Enforcement Operations Policy
- Financial Operations Policy
- Framework Policy
- Investment Fund Management Policy
- Personnel Operations Policy
- Recycling & Disposal Operations Policy
- Remuneration & Expense Policy

Administration Procedures

- Data Management
- Disaster Recovery
- Records Management

Results:

- In 2002/03 the TRMA conducted a major review of the accountability framework and the requirements of each policy. The Board has directed that the policies be revised in accordance with the findings of the review, and that the Audit Committee oversee and report to the Board on the revised framework and requirements for 2003/04.

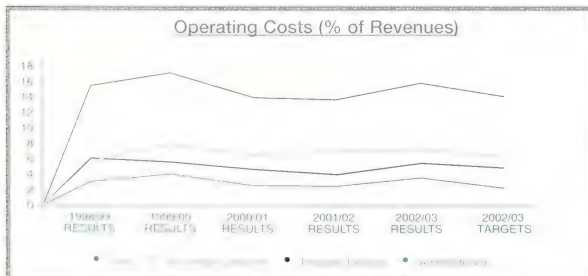
- The TRMA is accountable to and reports to the Minister of Environment, through the following:
 - Three-year Business Plan
 - Fund Plan
 - Annual Budget
 - Annual Report and Audited Financial Statements
- The TRMA accountability framework is linked to that of Alberta Environment in terms of reporting, feedback and response.
- The TRMA is committed to reporting regularly to Albertans on its performance and accountability.

Performance Measure 3.2: Monitor and respond to changes in the longer-term policy requirements for the Tire Recycling and Management Fund (the Fund).

Results:

- During 2002/03 a major multi-year Public Benefit Plan was developed and approved by the Board of Directors, confirmed with the Minister, and implementation was initiated. The Plan targets a number of issues and programs that would enhance the benefits and effectiveness of tire recycling in Alberta:
 - improvements in current scrap tire collection and processing methods, and in the funding mechanisms for these activities;
 - investigation and development of new uses, products and markets for recycled tire materials;
 - research and development of new tire recycling technologies;
 - more effective accountability and provision of information to Albertans; and
 - improvements in operational and administration functions.
- The annual funding for the Plan is drawn from the Tire Recycling and Management Fund, rather than annual operating revenues. Therefore, on the financial statements, expenditures show as a deficit.
- Expenditures for 2002/03 were significantly under budget because, design and implementation took six months, so expenditures were limited to six months.

Performance Measure 3.3: The operation costs of the TRMA - consisting of Surcharge collection, program delivery and administration, as defined below - expressed as a percent of annual Surcharge revenues.



	Total	Surcharge Collection	Program Delivery	Administration
1998/99 Results	15.3%	2.9%	6.3%	6.1%
1999/00 Results	17.0%	3.7%	5.5%	7.8%
2000/01 Results	13.8%	2.5%	4.7%	6.6%
2001/02 Results	13.3%	2.5%	3.9%	6.9%
2002/03 Results	15.6%	3.3%	5.1%	7.2%
(2002/03 target)	14.0%	2.4%	4.9%	6.7%



Definition of Headings:

Surcharge Collection – The cost of collecting the Surcharge on the sale of over 3 million tires annually, as remitted by 1800 registrants throughout Alberta, and including registration, compliance, and recovery actions.

Program Delivery – The direct cost of operating the TRMA funding programs, including the evaluation, approval and compliance monitoring of the collection, processing, and use of recycled scrap tire material, as well as developmental projects.

Administration – Expenditures resulting from the general administration of the TRMA including activities of the Board of Directors and Association, staff, communications, computer systems, space, supplies, and overhead expenses, but excluding amortization.

Total – The total of the above three categories, as defined, which represents the cost to operate the TRMA. (Expenditures that are not included in "operation costs" but which are included in the financial statements are: payments to tire recyclers under the Incentive Program; payments to funding recipients under the Developmental Programs; and amortization and investment management fees deducted from investment earnings.)

Results:

- Because of the work on, and comprehensive nature of the Public Benefit Plan, Program Delivery and Administration costs increased and were modestly over target.
- A major enhancement in compliance procedures and resources were approved and implemented, resulting in an increase in Collection expenditures.

Comments:

- The TRMA sets annual targets to ensure operations are efficient and effective.



Audited Financial Statements

Auditors' Report

To the members of Tire Recycling Management Association of Alberta.

We have audited the statement of financial position of Tire Recycling Management Association of Alberta as at March 31, 2003 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with generally Canadian accepted accounting principles.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Accountants
Edmonton, Alberta, Canada
May 16, 2003

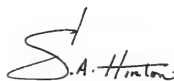
TRMA - Statement of Financial Position

March 31, 2003, with comparative figures for 2002

Assets	2003	2002
Current assets:		
• Cash	\$ 3,154,370	\$ 2,490,236
• Marketable securities (note 3)	533,713	613,759
• Accounts receivable (note 4)	1,169,015	1,264,152
• Prepaid expenses	23,545	25,935
	4,880,643	4,394,082
Long-term bonds and debentures (note 3)	26,043,459	25,569,596
Capital assets (note 5)	30,850	45,624
	\$ 30,954,952	\$ 30,009,302
Liabilities and Net Assets		
Current liabilities:		
• Payable to recyclers	\$ 691,849	\$ 507,762
• Accounts payable and accrued liabilities	240,516	276,795
	932,365	784,557
Net assets:		
• Unrestricted	29,991,737	29,179,121
• Investment in capital assets	30,850	45,624
	30,022,587	29,224,745
Commitments (note 6)	\$ 30,954,952	\$ 30,009,302

See accompanying notes to financial statements.

On behalf of the Board:



Chairman



Secretary Treasurer

TRMA - Statement of Revenue and Expenditures

Year ended March 31, 2003, with comparative figures for 2002

	2003 Budget Unaudited	2003 Actual	2002 Actual
Operating revenues:			
• Advance disposal surcharges (note 4)	\$12,280,000	\$12,986,158	\$13,036,476
• Less:			
Surcharge compliance and collection	(477,950)	(431,021)	(320,398)
• Recovery (allowance for and write off) of uncollectible accounts	(49,500)	(14,860)	61,819
	11,752,550	12,540,277	12,777,897
Operating expenditures:			
Scrap tire processing:			
• Tire Recycling Incentive programs	9,943,275	8,682,164	9,435,469
• Recycling program delivery (note 7)	603,000	665,129	514,051
	10,546,275	9,347,293	9,949,520
Administration:			
• Board expenses (note 7)	182,000	304,654	243,292
• Staff and contracted services compensation (note 7)	229,000	278,080	261,419
• Fees and services	290,600	353,469	391,901
• Amortization of capital assets	75,000	29,763	50,230
• Loss on sale of capital assets	-	-	778
	776,600	965,966	947,620
Total operating expenditures	11,322,875	10,313,259	10,897,140
Excess of operating revenues over expenditures	429,675	2,227,018	1,880,757
Public Benefit Plan (note 8)	(6,864,000)	(1,864,640)	(654,671)
Net investment income:			
• Investment income	1,482,000	1,172,664	1,563,317
• Less: Investment management costs	(132,000)	(140,138)	(156,965)
• Less: Writedown of investments	-	(597,062)	(392,200)
	1,350,000	435,464	1,014,152
Excess of revenues over expenditures	\$(5,084,325)	\$797,842	\$2,240,238

See accompanying notes to financial statements

TRMA - Statement of Changes in Net Assets

Year ended March 31, 2003, with comparative figures for 2002

	Capital assets	Unrestricted	2003 Total	2002 Total
Net assets, beginning of the year	\$ 45,624	\$ 29,179,121	\$ 29,224,745	\$ 26,984,507
Excess of revenues over expenditures	-	797,842	797,842	2,240,238
Amortization of capital assets	(29,763)	29,763	-	-
Investment in capital assets	14,989	(14,989)	-	-
Net assets, end of year	\$ 30,850	\$ 29,991,737	\$ 30,022,587	\$ 29,224,745

See accompanying notes to financial statements.

TRMA - Statement of Cash Flows

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Cash flows from operating activities:		
• Advance disposal surcharges collected	\$ 13,081,295	\$ 12,737,455
• Surcharge collection costs	(518,955)	(298,379)
• Scrap tire processing	(11 090,413)	(10,528,084)
• Administration	(811,483)	(871,173)
	660,444	1,039,819
Cash flows from investing activities:		
• Investment income	1,172,664	1,563,317
• Investment management costs	(163,106)	(148,278)
• Acquisition of capital assets	(14,989)	(13,122)
• Proceeds on sale of capital assets	-	2,000
• Net purchases of investments	(990,879)	(1,415,048)
	3,690	(11,131)
Increase in cash position	664,134	1,028,688
Cash, beginning of year	2,490,236	1,461,548
Cash, end of year	\$ 3,154,370	\$ 2,490,236

See accompanying notes to financial statements.

TRMA - Notes to Financial Statements

Year ended March 31, 2003

1. Authority and purpose:

The Tire Recycling Management Association of Alberta ("the Association") was incorporated under the Societies Act of the Province of Alberta on October 3, 1996. As a not-for-profit organization, no provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act (Canada). Pursuant to the Tire Recycling and Management Regulation, Alberta Regulation 206/96, the Association has been delegated responsibility to administer the Tire Recycling and Management Fund and to establish and administer a scrap tire waste minimization and recycling program for Alberta in accordance with sound environmental principles.

2. Significant accounting policies:

The Association bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

(a) Revenue recognition:

The Tire Recycling and Management Regulation, Alberta Regulation 206/96 requires retail registrants to remit to the Association an Advance Disposal Surcharge on prescribed new tires supplied. Revenue is recognized by the Association at the time the tires are supplied.

(b) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A significant area requiring the use of management estimates relates to the Advance Disposal Surcharges.

(c) Financial instruments:

The Association's financial instruments consist of cash, accounts receivable, investments, payable to recyclers, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest or currency risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Credit risk

Credit risk arises from the potential that a registrant will fail to perform its obligations. The Association is exposed to credit risk from its registrants. However, the Association has a large number of registrants, which minimizes the concentration of credit risk.

(d) Investments:

Investments are recorded at the lower of cost and market. Pooled fund investments include money market, debt and equity-based pooled funds that are widely held and diversified. Investment income on pooled funds is recognized when distributed by the fund. Other interest income is recognized when earned.

TRMA - Notes to Financial Statements, continued

Year ended March 31, 2003

2. Significant accounting policies, continued:

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment and software	3 years
Furniture and fixtures	5 years

(f) Statement of cash flows:

The Association is using the direct method in its presentation of the statement of cash flows.

3. Investments:

	Coupon rate	Maturity	Face value	Market value	Carrying value
Bonds and debentures	4.75% to 8.00%	06/01/2004 to 06/01/2029	\$6,080,826	\$8,346,843	\$8,103,068
Treasury bill	2.13%	06/06/2003	175,000	271,637	273,550
Securities:					
Canadian				2,903,834	2,637,557
Foreign				1,487,776	2,077,919
				4,391,610	4,715,476
Accrued income				115,035	115,035
Pooled funds				13,425,941	13,940,999
Cash with custodian				26,106	26,106
Total investments - 2003				\$26,577,172	\$27,174,234
		Less: Current Portion		533,713	533,713
				26,043,459	26,640,521
Total investments - 2002				\$27,101,898	\$26,183,355

4. Accounts receivable:

Accounts receivable represents management's estimate of Advance Disposal Surcharges which should have been or have been remitted by retail registrants but not yet reported to the Association. The estimate is based primarily upon average monthly remittances and the number of months not reported plus accrued interest.

TRMA - Notes to Financial Statements, continued

Year ended March 31, 2003

5. Capital assets:

	Cost	Accumulated amortization	2003 Net book value	2002 Net book value
Computer equipment and software	\$287,775	\$275,390	\$12,385	\$17,551
Furniture and fixtures	71,123	52,658	18,465	28,073
	\$358,898	\$328,048	\$30,850	\$45,624

6. Commitments:

The Association has a contract with a private sector company to February 2004 based on scrap tires processed and sold as recycled rubber crumb or product. The annual maximum under this contract is \$3,790,100. The Association has an annual exit option on this contract on February of each year.

Under the terms of a financial service and use agreement expiring July 31, 2002, the Association is charged a fee for provision of financial administration services of the controller and various staff. In addition, the Association entered into an agreement for office space to June, 2005. The minimum payments required under these agreements in future years are as follows:

	Financial Service	Facilities	Total
2003	\$97,332	\$22,872	\$ 120,204
2004	-	22,872	22,872
2005	-	22,616	22,616
	\$ 97,332	\$ 68,360	\$ 165,692

TRMA - Notes to Financial Statements, continued

Year ended March 31, 2003

7. Compensation:

As required under the Tire Recycling and Management Regulation, Alberta Regulation 206/96, the remuneration and benefits paid to all members of the Board of Directors (on an individual basis by name) and to all management personnel who report directly to one or more members of the Board of Directors (on an aggregate basis) are as follows:

2003

Board of directors' honoraria and benefits (included in board expenses):

Mr. Ken Albrecht	\$ 24,625
Ms. Holly Brockmeyer (To October 2002)	5,647
Mr. Patrick Kane (From December 2002)	-
Mr. Dwight Brown (Since February 2003)	460
Mr. Michael Atkin (July 2002 to February 2003)	-
Mr. John Cosco (To September 2002)	-
Mr. Merv Domanko	12,475
Ms. Jillian Flett (To December 2002)	-
Mr. Bruce MacKenzie (Since October 2002)	4,065
Mr. Sid Hinton (Chairman)	35,170
Mr. Myles Kitagawa	7,420
Mr. Dennis Irving (Since September 2002)	8,018
Mr. Bart Guyon	14,590
Mr. Al Schulz (Secretary / Treasurer since September 2002)	19,825
Mr. John Trefanenko	10,230
Mr. Jim Kallal (Secretary / Treasurer to May 2002)	5,030
	\$ 147,555
Executive Director salary	\$ 93,850
Benefits	7,680
(allocated between recycling program delivery and staff and contracted services compensation)	
	\$ 101,530

8. Public Benefit Plan:

The Public Benefit Plan represents the Association's funding strategy directed at providing an effective and sustainable tire recycling solution. The funding for the Public Benefit Plan is derived from the Tire Recycling and Management Fund which comprises \$26,577,172 (2002 - \$26,183,355) of the Association's Unrestricted Net Assets as at March 31, 2003.

9. Budget Information:

Budget information, while not forming a part of the audited financial statements, is included for information purposes.

10. Comparative Figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



Strategies

The TRMA has developed and implemented Strategies that are the mechanisms through which it achieves the Business Plan Goals.

The Strategies are as follows:

Tire Recycling Incentives Program

The Tire Recycling Incentives Program is the TRMA's primary strategy for the achievement of its goals to recycle scrap tires. The program provides performance-based incentives to companies in Alberta based on the amount of eligible scrap tires that are successfully recycled.

- There are three major incentive rates, for each level of processed material:
 - Tire Shred – the collection and shredding of scrap tires to specific standards;
 - Rubber Crumb – grinding of shred into rubber crumb, free of excess fibre and steel; and
 - Rubber Manufactured Products – products made using rubber crumb.
- There are two other secondary incentives:
 - Alberta End Use – to help offset incremental costs of using recycled rubber/tire material in public projects (for example, planters, composters, and rubber strip mat).
- Incentive payments are paid to recyclers upon delivery to approved sales or approved uses of recycled rubber material.
- The TRMA monitors developments in the tire recycling industry and markets to ensure the incentive structure is effective in supporting the attainment of TRMA goals.

Tire Recycling Development Programs

Further development is required in the areas of processing technologies, products and markets. The TRMA has established programs backed by an annual budgetary commitment to facilitate development where appropriate.

- a) **Three Tire Recycling Industry Development Programs** are designed to help overcome the major barriers to growth in this new industry:
 - **Research and Development Program** – The TRMA provides matching funding to approved projects, which investigate the development of new tire recycling technologies.
 - **Recycling Technology Upgrading Program** – The TRMA provides matching funding to Alberta tire recyclers for approved projects to improve processing equipment and technology.
 - **Business Development Program** – The TRMA provides matching funding to Alberta tire recyclers for approved market, product and business development initiatives.
- b) **Tire Recycling Pilot Projects** are undertaken to address new issues that arise related to the management, processing and recycling of scrap tires, including:
 - tests and verification of new recycling processes, uses and products to assess their effectiveness and potential inclusion in the TRMA funding strategies and programs;
 - demonstration projects for recycling products and opportunities that reinforce the achievement of TRMA goals; and
 - projects to address issues related to scrap tire stockpiles.



Tire Recycling Information

- Because tire recycling is an emerging industry, information and expertise is often not immediately accessible. The TRMA actively gathers information and develops networks in order to access and share knowledge on tire recycling issues including: tire recycling technologies; products, uses and markets; industry economics and business management; scrap tire flows and inventories; and funding policies. The purpose of this strategy is:
 - to monitor the effectiveness of TRMA policies and strategies with respect to achieving the TRMA's goals.
 - to support the development of the tire recycling industry and markets;
 - to enhance Albertans' awareness of recycled tire products and uses;
 - enhance Albertans' awareness of the results achieved through Alberta's scrap tire initiative; and
 - to ensure that tire recycling in Alberta benefits from expertise and developments elsewhere in Canada and internationally, while allowing others access to the expertise and experience from Alberta.

Surcharge Compliance and Collection Systems

The TRMA has implemented several accounting and tracking systems to fulfill its mandate regarding complete collection of the Advance Disposal Surcharge. The key strategies related to this include:

- A system for registering all companies that is required to remit the surcharge on the retail sales of new tires. The system deals with over 1,800 "Registrants" (such as tire dealers, car and truck dealers, trailer dealers and manufacturers, automotive service companies, auto body repair shops, trucking and transportation companies, and vehicle leasing companies).

- Contracted administration of the Surcharge remittance system, including procedures to ensure completeness of revenue collection:
 - Compliance reviews to ensure that retailers are making proper and timely remittances of the Surcharge collected.
 - A formal Compliance, Assessment and Collection procedure to ensure that any overdue Surcharge remittances are effectively dealt with.

Investment Management

The TRMA is charged with the administration of the Tire Recycling and Management Fund in which Surcharge revenues are held, plus related revenues such as interest earnings. The TRMA has established instruments and procedures to ensure proper financial management and accountability.

- An Investment Charter and Policy has been established by the Board to ensure the proper security and investment of the Tire Recycling and Management Fund. The Fund is managed by professional Investment Managers under contracts set in accordance with the Charter and Policy.
- The TRMA prepares an Annual Investment Management Report as required by the Charter.

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